

Memorandum

TO: HONORABLE MAYOR AND

CITY COUNCIL

FROM: Jacky Morales-Ferrand

Julia H. Cooper

SUBJECT: SEE BELOW

DATE: November 5, 2015

Approved

D'OSy-

Date

11/5/15

INFORMATION

SUBJECT: REPORT ON ACTIVITIES UNDERTAKEN BY THE DIRECTOR OF HOUSING AND THE DIRECTOR OF FINANCE UNDER THE DELEGATION OF AUTHORITY ORDINANCE FOR THE PERIOD OF JULY 1, 2015 THROUGH SEPTEMBER 30, 2015.

EXECUTIVE SUMMARY

This memorandum details actions taken under the delegation of authority to the Director of Housing and the Director of Finance for the first quarter of FY 2015-16 (July 1, 2015 through September 30, 2015). During this reporting period, the Director of Housing approved the following actions: modifying the terms of two (2) rehabilitation grants, and six (6) miscellaneous actions pertaining to multifamily projects. These transactions are listed in Attachment A.

The Director of Housing did not approve any homebuyer loans, rehabilitation loans and/or grants, or Housing Trust Fund grants during this quarter. The Director of Finance did not hold any TEFRA hearings during this period.

BACKGROUND

On September 4, 1990, the City Council adopted Ordinance No. 23589, which delegated to the Director of Housing certain specified authorities in the administration of the City's comprehensive affordable housing program (the "Delegation of Authority" or "DOA"). On May 23, 2000, the DOA was amended by Ordinance No. 26127 to clarify certain sections and to add several other provisions. On June 25, 2002, the DOA was further amended by Ordinance No. 26657 to add several provisions delegating additional authority to the Director of Housing, the Director of Finance, and the City Manager. Subsequently, the City Manager delegated to the Director of Housing the contract authority granted to the City Manager. Effective July 26, 2007, the DOA was further amended by Ordinance No. 28067 to modify certain provisions in order to streamline the Housing Department's process of making and adjusting loans and grants.

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The DOA is codified in Chapter 5.06 of the Municipal Code. This Memorandum reports on activities undertaken pursuant to the Administration's delegated authority for the period of July 1, 2015 through September 30, 2015.

ANALYSIS

The DOA authorizes the Director of Housing: to develop and implement additional guidelines for housing programs; to adjust terms on housing loans and grants; to change the funding sources of a loan; to convert loans to grants; to loan or to grant Housing and Homeless funds, Predevelopment funds, and Housing Rehabilitation Program funds; to negotiate and to execute grant agreements necessary to implement Council-approved programs adopted in the Annual Action Plan of the Consolidated Plan; to provide management for, and/or dispose of, properties acquired through direct purchase, foreclosure or deed-in-lieu proceedings; to formalize the City Council's policies and procedures regarding housing loan defaults; to apply for federal or State funding; to determine, within defined parameters, various terms and conditions of loans and grants previously approved by the City Council; to make adjustments, within defined parameters, to loans and grants previously approved by the City Council; and to make other technical changes.

Further, the DOA delegates jointly to the Director of Housing and Director of Finance certain authority related to the City's issuance of tax-exempt, private activity bonds to finance the development of affordable housing projects. The DOA also delegates to the Director of Finance the authority to hold Tax Equity and Fiscal Responsibility Act (TEFRA) hearings on the City's proposed issuance of tax-exempt bonds to finance affordable housing projects.

Attached is a chart that details the actions taken under the DOA during the period of July 1, 2015 through September 30, 2015.

COORDINATION

Preparation of this report has been coordinated with the Office of the City Attorney.

/s/ JULIA H. COOPER Director of Finance /s/ JACKY MORALES-FERRAND Director of Housing

For more information, contact Jacky Morales-Ferrand, Director of Housing, at (408) 535-3855.

Attachment A

ATTACHMENT A

ACTIONS TAKEN BY THE INTERIM DIRECTOR OF HOUSING 1st Quarter 2015 – 2016 (July - Sept 2015)

#	Date '	Action	Muni Code Citation
1	7/7/15	Approved the specific business terms for a conditional rehabilitation grant for properties owned by Housing for Independent People (HIP). In exchange for the grant and additional funding from Project Based Rental Assistance (PBRA) and operating subsidies, HIP will make 31 apartments or rooms available for homeless residents.	5.06.335 5.06.340.A.9
2	7/7/15	Approved the transfer of the Vintage Tower Apartments to a third-party buyer (an affiliate of Standard Property, Inc.) and amended the City's loan documents to incorporate loan servicing and affordability restriction monitoring fees. The transfer will add organizational capacity to the property with no additional operating or financial risk to the City.	5.06.340.A.9 5.06.340.A.12
3	7/20/15	Approved the subordination of the City loan to a new senior loan for Catalonia Apartments and amended the City's loan documents to incorporate loan servicing and affordability restriction monitoring fees. Staff's analysis discovered that the senior loan balance will increase slightly, from approximately \$2.2 million to \$2.4 million, to cover closing costs, therefore increasing the amount to which the City will subordinate. The effect of the new debt on the City's position and on the project should be largely positive. Refinancing this project provides a decline in debt service expense and strengthens the City's ability to enforce its affordability restriction.	5.06.340.A.3 5.06.340.A.9
4	8/10/15	 Approved the following for Eden Palms: Consented to the subordination of the City loan to a new senior loan; Consented to the transfer of the limited partnership interest in the project from a tax credit fund syndicated by SunAmerica to an affiliate of Eden Housing, the developer; and Amended the Promissory Note, Loan Agreement and Affordability Restriction. Refinancing to a new senior loan will satisfy payments of the existing loan, immediate capital needs of the project, cover closing costs and provide a settlement payment to the limited partner. The affordability restrictions will remain on the property until January 24, 2062. 	5.06.340.A.2 5.06.340.A.3 5.06.340.A.9 5.06.340.A.12
5	8/18/15	Approved the following for Huff Gardens: Consented to the investor limited partner's exit from Huff Avenue Associates L.P. through purchase of the limited partner's interest by the Managing General Partner; and Amended the Promissory Note, Loan Agreement and Affordability Restriction. The exit of the current investor limited partnership will free up the project for a recapitalization in the future using a new allocation of tax credits and a new investment partnership. This type of recapitalization will allow for a rehabilitation of the property at that time.	5.06.340.A.9 5.06.340.A.12
6	8/25/15	Approved the revisions of sources for a conditional rehabilitation grant for the Housing for Independent People (HIP) project approved by the City Council on June 17, 2014, and January 27, 2015. Due to the projected increase of soft costs and projected decrease of hard costs, the revision will switch the approved	5.06.345.A.4

#	Date	Action	Muni Code Citation
		funding source from Fund 346 to Fund 448 in the amount of \$279,000. There is no change in the total City commitment of \$2,300,000.	
7	8/27/15	 Approved the refinancing of the five (5) JSM projects (Arbor Terrace, Oak Tree, Plaza Del Sol, Terramina Square and The Verandas) which allowed the following: Consented to the transfer of the limited partner interests to affiliates of JSM in order to facilitate the exit of the tax credit investors; and Amended the Promissory Note, Loan Agreement and Affordability Restriction. As a requirement under the City loan documents, the transfer of the limited partner interests requires the City's consent. This requirement is standard in affordable housing transactions that utilize the low-income housing tax credit. The new managing general partner, a JSM-affiliated LLC, will have the same nonprofit status as the former partner. The changes in ownership will not result in additional operating or financial risk to the City. 	5.06.340.A.9 5.06.340.A.12
8	8/27/15	Approved amendments to the affordability restriction for eight (8) JSM projects (La Fenetre, Le Mirador, Miranda Villa, Quail Hills Senior, Sienna Senior, Villa Torre I, Villa Torre II and Villaggio). The revisions ensure rights to the City remain after repayment of the Loan including various operating and reporting covenants, minimum qualifications for management agents and transferees, and City inspection rights.	5.06.340.A.9 5.06.340.A.12